

Message Text

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PAGE 01 LONDON 00612 01 OF 02 141841Z

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 OMB-01 EB-11 DRC-01 TRSE-00 COME-00 LAB-06

SIL-01 NIC-01 OPR-02 /126 W

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R 141816Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7078

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

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C O N F I D E N T I A L SECTION 01 OF 02 LONDON 00612

E.O. 11652: GDS

TAGS: PINT, UK

SUBJECT: PROSPECTS OF AN EARLY GENERAL ELECTION APPEAR
CLOSER

SUMMARY: THE BRITISH SUNDAY PRESS ALL CARRIED FRONT-
PAGE ARTICLES INDICATING THAT THE PRIME MINISTER IS
LIKELY TO DECIDE WITHIN THE NEXT WEEK OR SO WHETHER OR
NOT TO CALL AN EARLY GENERAL ELECTION. SIMILAR ARGUMEN-
TATION STRONGLY SUGGESTS THAT THIS SPECULATION WAS BASED
ON HIGH-LEVEL BACKGROUNDING. AS BRITAIN'S CRISIS DEEP-
ENS, THE ARGUMENTS IN FAVOR OF AN EARLY ELECTION APPEAR
MORE AND MORE PERSUASIVE. END SUMMARY

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PAGE 02 LONDON 00612 01 OF 02 141841Z

1. BRITAIN'S SUNDAY PAPERS, JANUARY 12, BLOSSOMED WITH HEADLINE ARTICLES BY LEADING COMMENTATORS AND EDITORIALS INDICATING THAT PM HEATH IS CONSIDERING CALLING AN EARLY SNAP ELECTION. TYPICAL WAS THE SUNDAY TIMES "EARLY ELECTION: HEATH WILL DECIDE THIS WEEK," FOLLOWED BY A JAMES MARGACH STORY STATING THAT THERE WERE "CLEAR INDICATIONS" THAT HEATH WAS ON THE POINT OF PRESSING THE BUTTON FOR A QUICK GENERAL ELECTION TO SECURE NATIONAL BACKING FOR HIS TOUGH ENERGY-CRISIS POLICIES--POLLING DATE TO BE FEBRUARY 7. MARGACH DESCRIBES SOME OF THE PRESSURES ON HEATH WITHIN HIS PARTY AND CONCLUDES WITH A SUMMARY OF ARGUMENTS PRO AND CON A QUICK ELECTION. OTHER PAPERS FOLLOW SIMILAR PATTERNS.

2. WITH THE DEEPENING OF THE CRISIS, THE GOVERNMENT HAS HAD TO LOOK AT THE HARD POLITICAL FACTS. EXTERNAL FACTORS HAVE UPSET ALL PREVIOUS CALCULATIONS ABOUT SUSTAINED ECONOMIC GROWTH, THE PRINCIPAL PEG ON WHICH THE GOVERNMENT HAS HUNG ITS LONG-TERM POLITICAL FORTUNES. THE WORLD ENERGY CRISIS, RISING IMPORT PRICES, PROBLEMS WITHIN THE ATLANTIC ALLIANCE, DISARRAY IN THE EC, ALL MAKE IT UNLIKELY THAT THE SITUATION WILL IMPROVE SUBSTANTIALLY IN THE MEDIUM TERM--WHICH IS PRECISELY THE TIME FRAME WITHIN WHICH IMPROVEMENTS WOULD HAVE TO TAKE EFFECT IF HEATH'S GOVERNMENT WERE TO RUN ITS FULL PERIOD UNTIL JUNE 1975, AND STILL WIN RE-ELECTION.

3. THE GOVERNMENT HAS REPEATEDLY AND UNEQUIVOCALLY COMMITTED ITSELF TO HOLDING FIRMLY TO ITS PHASE THREE COUNTER-INFLATION POLICY. IT HAS DONE THIS TO THE POINT NOW THAT IT CANNOT PERMIT THE MINERS TO BREACH THE POLICY WITHOUT RUNNING THE STRONG RISK--SOME ARGUE THE VIRTUAL CERTAINTY--THAT ITS CREDIBILITY WOULD BE RUINED AND ITS AUTHORITY IN THE COUNTRY AND PARLIAMENT UNDERMINED. HEATH'S OWN POSITION AS LEADER WOULD BE AT STAKE. WHILE A MINERS' SETTLEMENT WITHIN STAGE THREE THEREFORE SEEMS REQUIRED, IT IS MOST UNLIKELY AND MANY BELIEVE IT IS OUT OF THE QUESTION. IF THE PRESENT CRISIS CONTINUES

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PAGE 01 LONDON 00612 02 OF 02 141842Z

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 00612

MANY MORE WEEKS THE COUNTRY'S ECONOMIC LIFE WILL SERIOUSLY DETERIORATE. AS THE SUNDAY TIMES EDITORIALIZED "... EVEN IF ALL PAY DEALS ARE WITHIN PHASE III, WHICH IS MORE THAN THE COUNTRY CAN AFFORD, PRICES WILL GO UP 15 PERCENT OR MORE, AND THE THRESHOLD WILL TRIGGER FURTHER PRICE RISES. IF INCOMES POLICY IS ABANDONED, RUNAWAY INFLATION CAN ONLY BE CHECKED BY A SQUEEZE WITH ITS MAIN IMPACT ON JOBS. OUR FORECASTERS TALK OF 2 MILLION UNEMPLOYED..."

4. FACED WITH THIS DILEMMA, THE GOVERNMENT HAS HAD TO CONSIDER WHETHER ON BALANCE IT WOULD BE PREFERABLE TO GO TO THE COUNTRY NOW FOR A NEW MANDATE BEFORE FURTHER ANTICIPATED SETBACKS ARE FELT, OR TO WAIT UNTIL A LATER CONFIDENTIAL

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PAGE 02 LONDON 00612 02 OF 02 141842Z

DATE. A RECENT NOP POLL SHOWED THAT PUBLIC OPINION IS NOW RELATIVELY FAVORABLE TO THE GOVERNMENT. A SOLID WIN IN A GENERAL ELECTION WOULD PROVIDE HEATH A MANDATE TO CONTINUE HIS COUNTER-INFLATION POLICIES AND TO ATTEMPT TO ENFORCE SOME DISCIPLINE IN THE INDUSTRIAL RELATIONS AREA. IMPORTANTLY, IT WOULD ALSO FREE THE GOVERNMENT TO DEVISE NEW POLICIES MORE SUITED TO THE DETERIORATING ECONOMIC ENVIRONMENT. IN PRACTICAL ELECTORAL TERMS THERE ARE CERTAIN ADVANTAGES TO THE GOVERNMENT OF AN EARLY (FEBRUARY) ELECTION AS OPPOSED TO ONE AT A LATER

DATE.

5. THE ARGUMENTS AGAINST AN EARLY ELECTION ARE ALSO STRONG. AN ELECTION COULD DIVIDE THE COUNTRY SERIOUSLY AND WOULD NOT INSURE AN END TO THE MINERS' ACTION. IN THE PRESENT VOLATILE SITUATION, PARTY BACKBENCH OPINION IS UNDERSTANDABLY EQUIVOCAL SINCE THERE CAN BE NO GUARANTEE OF A SWEEPING CONSERVATIVE VICTORY. FURTHERMORE, IT IS OBVIOUS THAT AN ELECTION COULD NOT BE WHOLLY CONFINED TO THE ISSUE OF "WHO GOVERNS THE COUNTRY." OTHERS WHERE THE GOVERNMENT IS VULNERABLE, E.G., PRICES, HOUSING, THE EC, COULD PLAY A ROLE. CERTAINLY, THE OPPOSITION WILL TRY TO ASSURE THEY DO.

6. COMMENT: ALL AVAILABLE EVIDENCE SUGGESTS THAT THE PM IS NOW ENGAGED IN THE SOUL-SEARCHING WHICH PRECEDES A DECISION TO DISSOLVE PARLIAMENT AND CALL A GENERAL ELECTION. THE NEXT WEEK SHOULD GIVE AN INDICATION OF HIS INTENTIONS. SOHM

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